

TO: Board Members

THROUGH: Kevin Patteson, Executive Administrator

FROM: Amanda Landry, Chief Financial Officer

DATE: January 20, 2015

SUBJECT: Consider: (a) authorizing the Executive Administrator and the Development Fund Manager to take all necessary actions for the issuance, sale and delivery of State of Texas Water Financial Assistance Bonds to fund the commitment to the Lower Colorado River Authority in one or more series in an aggregate principal amount not to exceed \$255,000,000; and (b) approving the selection of financial advisor, bond counsels and underwriters for the negotiation of the bond issue.

ACTION REQUESTED

Authorize the Executive Administrator and the Development Fund Manager to proceed with the subject bonds and selection of advisors.

BACKGROUND

On September 4, 2014 the Board approved a loan commitment to the Lower Colorado River Authority (LCRA) in the amount of \$250,000,000 to finance the planning, acquisition, design and construction of an off-channel reservoir and associated improvements. In December 2014, LCRA staff notified TWDB staff that they were ready to proceed with the financing of the entire commitment amount. There is sufficient constitutional bond authority available for this issuance within the Development Fund II program.

KEY ISSUES

The proposed amount of \$255 million is a “not to exceed” amount for all series of bonds and will include costs of issuance and rounding amounts. Proceeds of the issuance will be used to fund the LCRA commitment discussed above.

LCRA will be required to commit to closing within a limited time frame through a financing agreement. The issuance amount will be finalized based on LCRA’s needs.

Our Mission

To provide leadership, information, education, and support for planning, financial assistance, and outreach for the conservation and responsible development of water for Texas

Board Members

Carlos Rubinstein, Chairman | Bech Bruun, Member | Kathleen Jackson, Member
Kevin Patteson, Executive Administrator

Advisors

Estrada Hinojosa & Company, Inc. is recommended to serve as financial advisor and Bracewell & Giuliani and Mahomes Bolden as bond counsel.

Staff recommends Jefferies to serve as Senior Manager for the transaction. Co-managers recommended are Frost, FTN Financial, PiperJaffray, Siebert Brandford Shank & Co. and Wells Fargo Securities.

With Board approval, staff will develop a timeline, engage the service providers, seek debt issuance authority from the Bond Review Board, negotiate a financing agreement with the LCRA, and take other necessary steps to prepare the bonds for issuance and sale. Staff anticipates returning to the Board for adoption of the resolution and approval of the Preliminary Official Statement for any series issued under this item.

This recommendation has been reviewed by legal counsel and is within the TWDB's legal authority.

Les Trobman, General Counsel